

Investigation

Changing Capitalism, Again: The Neoliberal Turn and Its Aftermath

Note-Taking Tool

Think about what you've already learned about the shift toward neoliberalism. (It may be helpful to listen to [Episode 7, 18:05-21:30 and 27:54-36:15](#), or skim the [Episode 7 transcript, pp. 15-18 and 23-30](#), to refresh your memory. You can find these resources under "Listening Guides" at <https://sceneonradio.org/capitalism-educator-resources/>.)

Then, examine sources to consider how American capitalism changed and what happened in the decades that followed.

Part 1 Reagan's Views of Economic Freedom

Read the excerpts from "First Inaugural Address" and "America's Economic Bill of Rights" and take notes in the first part of the chart. Then, consider the questions in the second part of the chart to reflect on your understanding.

Reading/Listening Notes

According to Reagan, what is economic freedom?

First Inaugural Address

What economic problems does Reagan believe the United States faces?

What does he believe has contributed to these problems?

What changes does he propose to address them?

According to Reagan, what is necessary for Americans to have economic freedom?

America's Economic Bill of Rights

How does Reagan define economic freedom?

What does he identify as the greatest threats to economic freedom?

Reflection Notes

How does Reagan's view of economic freedom and the government's role in the economy compare with other perspectives you have encountered? What questions do the sources raise for you?

Part 2 The Neoliberal Turn and American Capitalism

As you examine the timeline, choose three laws, policies, or other developments that you think significantly changed the way capitalism operated in the United States. Refer back to the **Features of Capitalism explainer** (<https://sceneonradio.org/explainer/>) as you identify which feature(s) each law, policy, or development affected.

Name of law, policy, or development	Feature(s) of capitalism affected	How did this law, policy, or development change the way American capitalism operated? Why does this feel significant to you?	What questions do you still have about the law, policy, or development and its impacts?

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Looking across the timeline, what larger changes do you notice in how the federal government shaped the economy?

How did these changes reflect Reagan's views about economic freedom and the role of government?

How did these changes move American capitalism toward a more free-market approach?

Part 3 During and After the Neoliberal Turn

Use the chart to record your observations, analysis, and questions as you examine the sources in Part 3.

Source	What does it measure?	What patterns or changes do you notice beginning around the late 1970s and early 1980s?	What questions does the source raise for you?
GDP per capita			
Income inequality			
Union density			

Source	What does it measure?	What patterns or changes do you notice beginning around the late 1970s and early 1980s?	What questions does the source raise for you?
Income tax rates			
Labor income share			

Synthesis & Reflection

- Taken together, what do these sources suggest about what changed and what did not change in the American economy beginning around the late 1970s?
- What do they suggest about economic growth and how the gains from that growth were shared?

- Read the following exchange between John and Ellen (from Scene on Radio, Season 7, Episode 7) and quote from Paul Krugman, an American economist and journalist who received the 2008 Nobel Prize for Economics.

John Biewen: The other important takeaway from this episode, I think, is how and why inequality has gotten so extreme.

Ellen McGirt: Yes. And here's what folks like Marjorie Kelly are saying: The overall size of the economy has continued to grow at a pretty steady clip. The pie keeps getting bigger. But as workers and companies get more and more productive, with the help of technology, a huge share of the wealth is being siphoned off and turned into assets held by the rich.

John Biewen: What does this really mean? Instead of going into the bank accounts of millions of regular working people through higher pay, it's showing up instead as profit on the corporate ledger, which raises the value of stocks in the portfolios of the mostly wealthy people who own most of the stocks. And at the same time, rich folks get to keep more of their wealth thanks to the big tax cuts over the last forty years, especially cuts on the highest incomes and on investment income – which is the main source of income for the very wealthiest people.

Ellen McGirt: OK, listen to this. In a study published in 2020 by the RAND Corporation, a pair of economists set out to measure how much more wealth people in the bottom 90-percent of the U.S. population would have accumulated over the last forty years if things had been distributed the old way, the way they were during those post-war decades, from the 40s to the 70s. Their estimate? 50. Trillion. Dollars.

John Biewen: Fifty trillion. This study also estimated that if the distribution of income had stayed as it was from the mid-1940s to the 1970s, each worker in the bottom 90-percent could have been paid, on average, 1100 dollars more every month than what they were paid, over decades. And we've rattled off too many numbers so I'm not even gonna mention the one about the 400 wealthiest American families paying a lower tax rate than the average person in this country – because the wealthiest get most of their income from investments and that income is now taxed at a lower rate than the wages earned by a barista or a plumber.

Since the late 1970s the America I knew has unraveled. We're no longer a middle-class society, in which the benefits of economic growth are widely shared: between 1979 and 2005 the real income of the median household rose only 13 percent, but the income of the richest 0.1% of Americans rose 296 percent.

Most people assume that this rise in inequality was the result of impersonal forces, like technological change and globalization. But the great reduction of inequality that created middle-class America between 1935 and 1945 was driven by political change; I believe that politics has also played an important role in rising inequality since the 1970s. It's important to know that no other advanced economy has seen a comparable surge in inequality...

- **Paul Krugman**

- What claims do John, Ellen, and Krugman make about the relationship between the shift towards neoliberalism and the economic patterns you observed? To what extent do the sources support their claims?
- Do these sources provide enough evidence to conclude that the laws, policies, and other developments associated with this shift helped cause these economic patterns? Why or why not? What additional evidence would you need to reach a stronger conclusion?